" Applying the culture, processes, business models and technologies of the internet-era to respond to people's raised expectations

— Steve Jobs

2025

Expert Decisions → Rules

Predictions

AI

Judgement
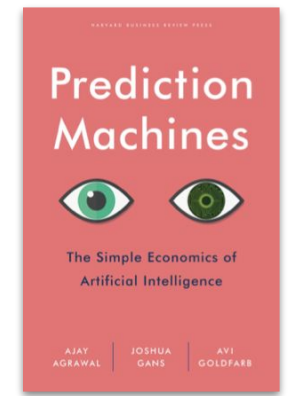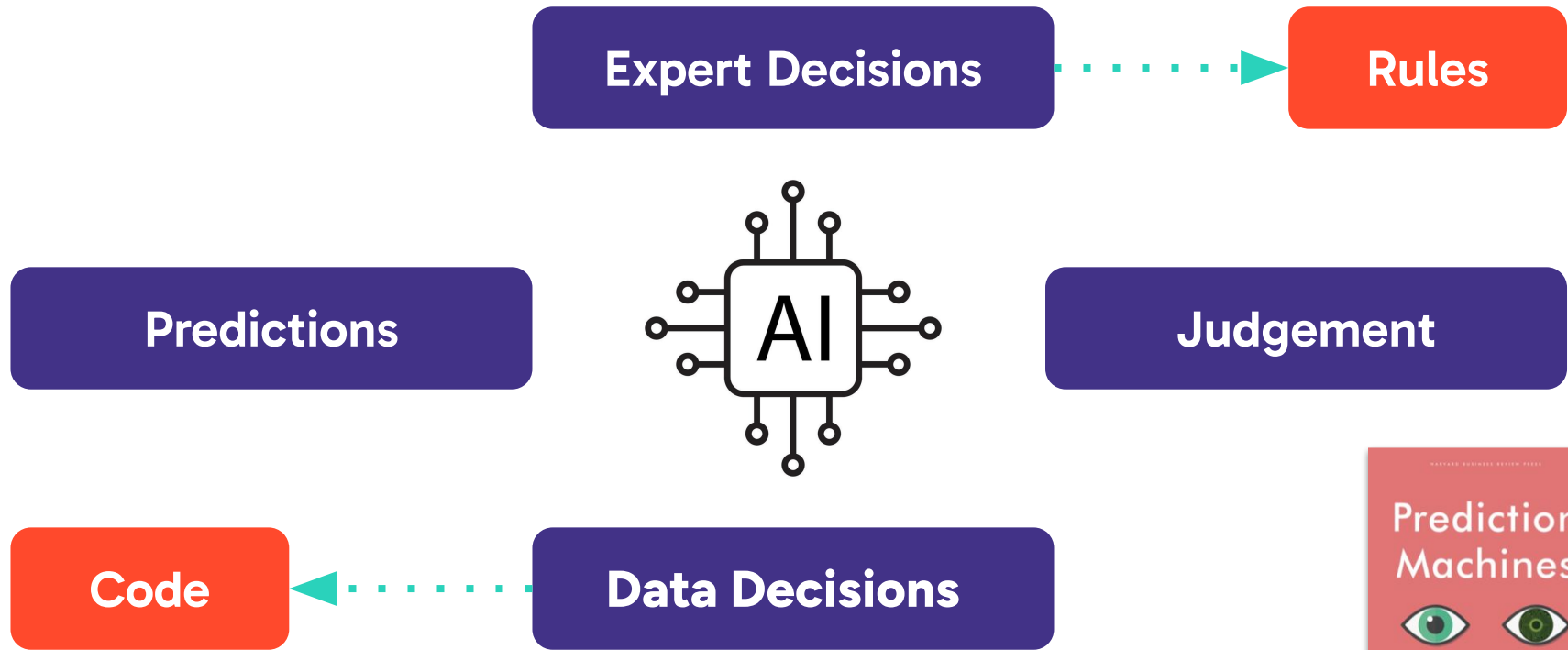
Code ← Data Decisions

Prediction Machines
The Simple Economics of Artificial Intelligence

AJAY AGRAWAL | JOSHUA GANS | AVI GOLDFARB

> "Prediction machines now offer better, faster, and cheaper predictions. In that case, the demand for human judgement will increase.
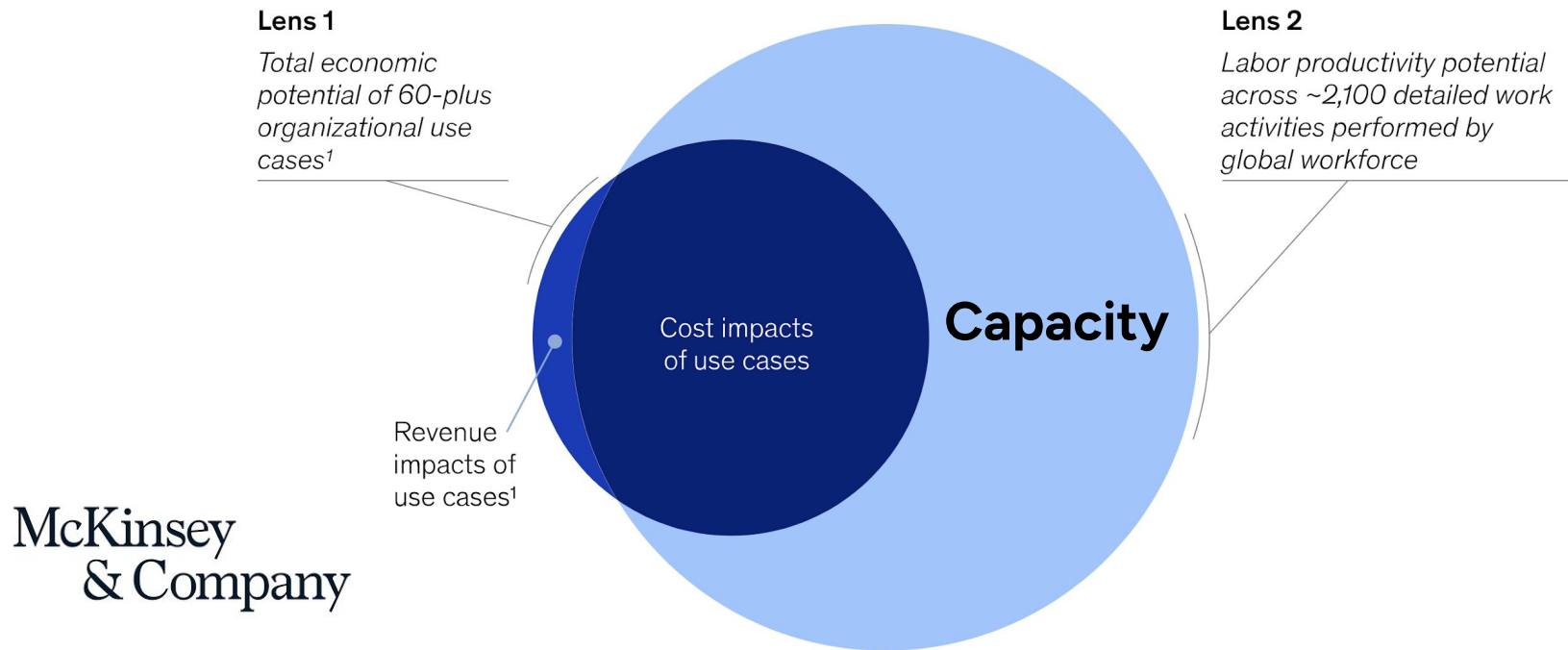
R Abbey Lane
R Bisson Rd
L Leggatt Rd
R Claypole Rd
R Bisson Rd
L Abbey Lane

CLERMONT RD E9

The Knowledge
become a London Taxi driver

tfl.gov.uk/knowledge

The potential impact of Generative AI can be evaluated through two lenses.

Lens 1

Total economic potential of 60-plus organizational use cases[1]

Lens 2

Labor productivity potential across ~2,100 detailed work activities performed by global workforce

Cost impacts of use cases

Capacity

Revenue impacts of use cases[1]

McKinsey & Company

[1]For quantitative analysis, revenue impacts were recast as productivity increases on the corresponding spend in order to maintain comparability with cost impacts and not to assume additional growth in any particular market.

Getting Solid Return on AI

01

Start with the problem.

02

Isolate root cause.

03

Reframe to prediction.

04

Align solutions to data + trust.

05

Focus on utilization.

06

Aspire for autonomy.

2025

The Agentic AI Gradient

Transform

System of Agents

Process Agent

Task Agent

Intelligent Assistant

Augment

CoPilot/Chatbot

WAYMO

waze

ChatGPT in My Workflow

01

Deep Research

02

Visualization

03

Collaboration

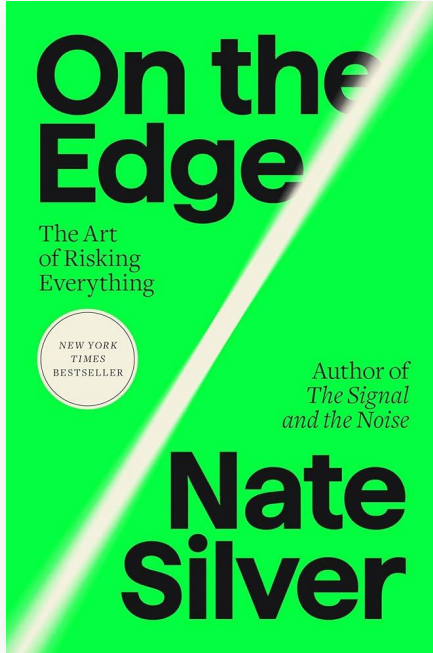**04**

Editing

05

Analysis

06

Calculations

"
How much is peace of mind worth to you?

Assumptions:

- **Warranty Cost (Financed):** $849 (including interest over 36 months at 3.9%)

- **Coverage Duration:** 5 years

- **Probability of Filing a Claim Over 5 Years:** 10% (0.10)

- **Average Repair/Replacement Cost per Claim:** $1,277 (combined average for tire and wheel incidents)

Expected Payout Calculation: $\text{Expected Payout} = (\text{Probability of Claim}) \times (\text{Average Repair/Replacement Cost})$ $\text{Expected Payout} = 0.10 \times \$1,277 = \$127.70$

Net Expected Value: $\text{Net Expected Value} = \text{Expected Payout} - \text{Warranty Cost}$ $\text{Net Expected Value} = \$127.70 - \$849 = -\$721.30$
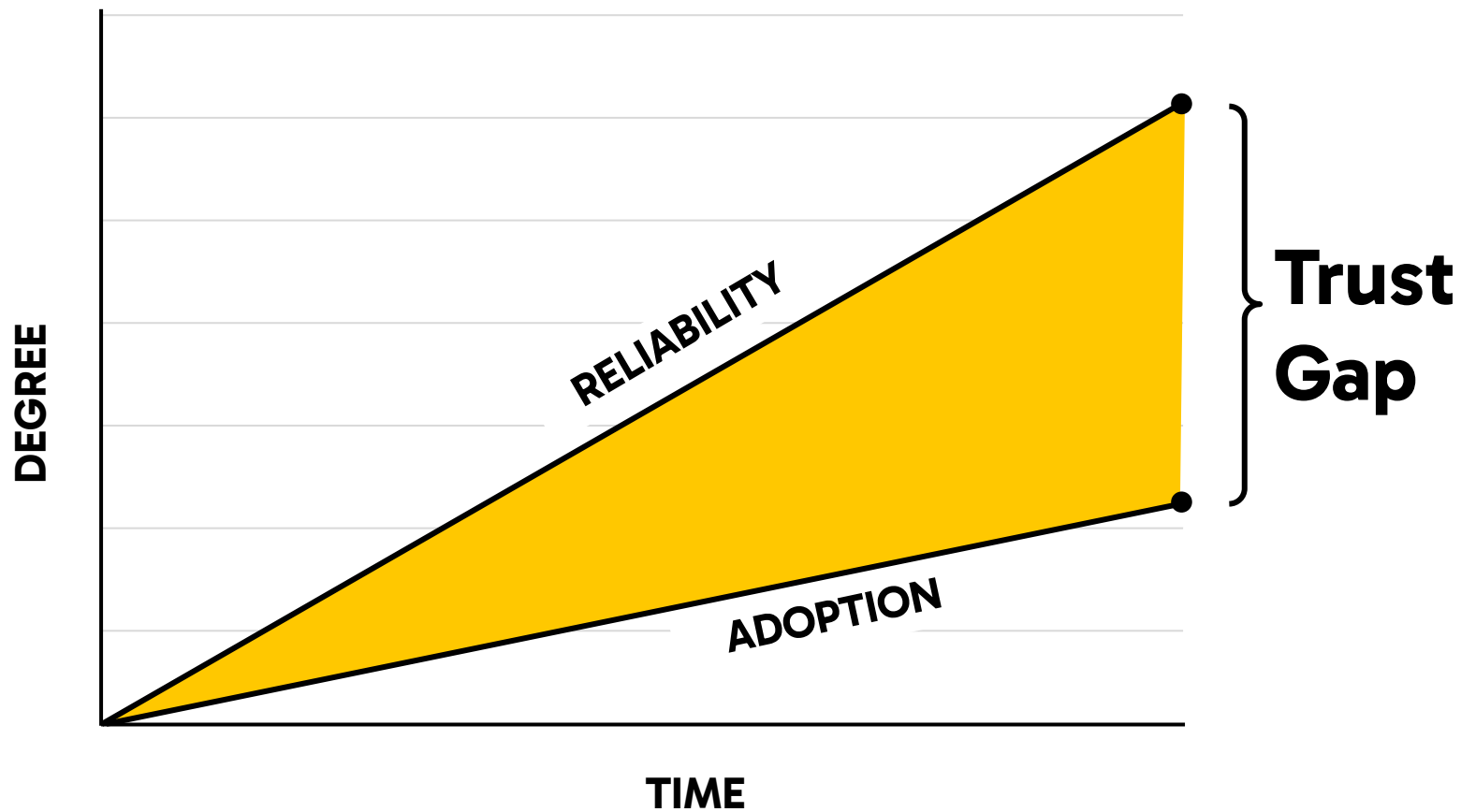
Interpretation

With the revised 10% probability of filing a claim, the expected payout over five years is approximately **$127.70**. When compared to the financed warranty cost of **$849**, this results in a **net expected loss of $721.30**.

Prompt structure

1 **Role**

2 **Goal**

3 **Context**

4 **Assignment**

5 **Caveats**

The difference between a good prompter and a great prompter is not 10%.

It's 10x.

The roller coaster of change management.

Shock
Paralysis, fear, disruption of communication

Rejection
Retreat, "business as usual"

Resistance
Anger, pessimism, mistrust

Exploration
Chaos, confusion, energy, "Let's try…"

Approval
Agreement on direction, goals, "How can we accomplish that?"

Identification
Commitment, acceptance of challenges

Level of support/commitment

Time

Coverdale

Reaching your peak of understanding

Power and Prediction

HARVARD BUSINESS REVIEW PRESS

Power and Prediction

The Disruptive Economics of Artificial Intelligence

AJAY AGRAWAL | JOSHUA GANS | AVI GOLDFARB
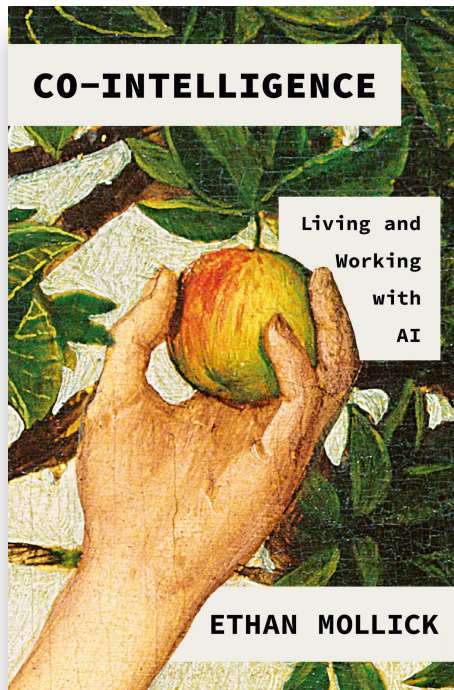
Co-Intelligence

CO-INTELLIGENCE

Living and Working with AI

ETHAN MOLLICK

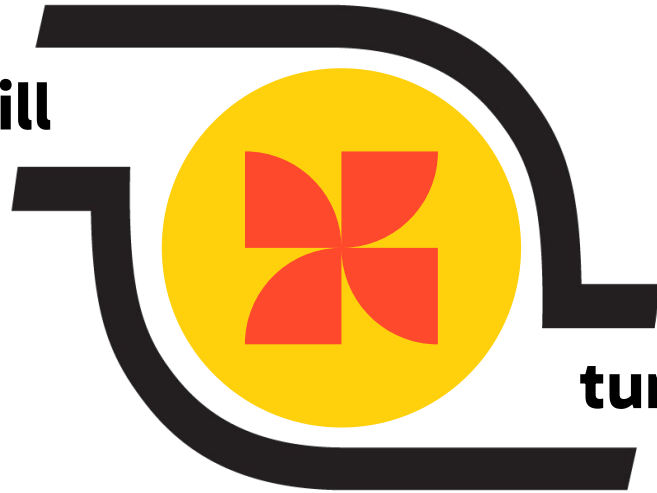**Applied Artificial Intelligence**

MARIYA YAO, MARLENE JIA, ADELYN ZHOU

Applied Artificial Intelligence

A HANDBOOK FOR BUSINESS LEADERS

One hour a day will

turbocharge YOU!

How **fast** do you want to go?

BRIGHT
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2025